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	EXIM-01	E-00	FBIE-00	VCi-00	FRB-00	OBO-00	H-00
	TEDE-00	INR-00	ITC-01	L-00	CAC-00	MOFM-00	MOF-00
	VCIE-00	DCP-00	NRC-00	NSAE-00	ISN-00	OES-00	OMB-00
	NIMA-00	PM-00	GIWI-00	MA-00	SGAC-00	ISNE-00	DOHS-00
	FMPC-00	SP-00	IRM-00	SSO-00	SS-00	STR-00	NCTC-00
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C O N F I D E N T I A L BRASILIA 001092

CONFIDENTIAL

NSC FOR GARY SAMORE, RACHEL WALSH, LUIS ROSELLO, JOYCE CONNERY
 DOE FOR ED MCGUINESS, GARY WARD, RUSS ROTH
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 DEPT PASS TDA FOR NATHAN YOUNGE
 DEPT FOR WHA/FO, WHA/EPSC, WHA/BSC
 DEPT ALSO FOR EEB MATT MCMANUS, BRIAN DUGGAN

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 TAGS: [ENRG](#) [EINV](#) [SENV](#) [PREL](#) [MNUC](#) [BR](#) [NI](#)
 SUBJECT: HIGH LEVEL ENERGY DISCUSSIONS IN BRAZIL REVEAL OPPORTUNITIES

REF: A)Brasilia 304, B) Brasilia 387, C) Rio 052, D) Rio 051,
 E)Brasilia 765, F)Rio 014, G)Brasilia 253, H)862 Brasilia, I)
 Brasilia 809

Classified By: Charge d'Affaires Lisa Kubiske, for reasons
 1.4 (b) and (d).

1. (SBU) SUMMARY: High-level U.S. policy makers explored opportunities for bilateral energy cooperation with Brazil, ranging from oil exploration to civilian nuclear power, in multiple meetings during the week of August 4 - 8. White House National Security Advisor General Jones discussed with the Energy Minister and the Presidential Chief of Staff the importance of bilateral cooperation. Chief of Staff Dilma Rousseff called this a moment of opportunity for building close relations, and, having previously suggested to other interlocutors that we should have a strategic dialogue on energy, cited energy as a primary component of enhanced relations. General Jones also explored Petrobras' position in Iran and possible cooperation in Nigeria. He heard from Petrobras executives of missed opportunities for U.S. companies, with CEO Gabrielli saying that Petrobras wants and needs U.S. cooperation in exploring Brazil's promising pre-salt oil reserves, but finds partnering with the United States difficult and cumbersome. They discussed a possible follow up meeting to bring in more U.S. commercial interests. NSC's Dr. Gary Samore met with the Ministry of External Relations (MRE) to discuss the formation of a bilateral energy commission at the Department of Energy Deputy Secretary level, an idea that was met with great enthusiasm. The Ministry now awaits a draft proposal. MRE also confirmed Brazilian interest in working with the NRC to cooperate on regulatory matters. Samore got readings on Brazil's long term civilian nuclear energy plans from both MRE and Rio nuclear sector leaders. He also heard further detail on some Brazilian interests for nuclear cooperation and insight into U.S. commercial prospects as Westinghouse prepares to bid for the planned contracts for 4 - 8 new nuclear plants. With these visits and reciprocal visits by Brazilian Energy officials to Washington (Septel), we have developed an extensive list of possible opportunities for energy cooperation. What remains to be done now is to select the most promising

possibilities and define a path forward. END SUMMARY

JONES - Ministry of Mines and Energy (MME)

12. (C) At MME, General Jones received a complete briefing on the energy sector in Brazil, led by Minister Edison Lobao and Deputy Minister Marcio Zimmermann, with multiple industry and governmental energy sector leaders in attendance, many having flown in from Rio. General Jones expressed U.S. interest in cooperation with Brazil in the energy sector. Responding to General Jones' question on operations in Iran, Petrobras CEO Sergio Gabrielli said Petrobras explored two dry wells in Iran and is now terminating exploratory activity, although a small office is being left open. (see reftels A-C) Turning to Nigeria, Jones cautioned that the country risks becoming a failed state in less than 10 years, with ramifications for both public and private investment. Though Gabrielli observed that Petrobras's investment in Nigeria is far off-shore, General Jones pointed out that a Shell platform had been attacked 100 miles off-coast. General Jones noted the importance of leadership of oil companies in staving off potential collapse and invited Petrobras to participate in that effort. Gabrielli made no commitment.

13. (SBU) In a smaller pull aside immediately following, Gabrielli told General Jones that Petrobras wants and needs U.S. cooperation in exploring Brazil's promising pre-salt oil reserves, but too often dealing with U.S. partners, such as Exim Bank, involves a lot of paperwork and slow response. Petrobras is attracting investment from China, Canada, France, Norway and others. In Gabrielli's judgment the United States is under-represented (Reftel D and F). Petrobras' CFO Barbossa said Petrobras' planned capital expenditure of USD 174 billion offers "lots of opportunity," as well as more indirect investment through the supply chain that supports Petrobras. He advocated opening new ways of cooperating, extending credit, working with the Brazilian national development bank BNDES, etc. Barbossa's assessment was that it will take too long to access the USD 10 billion offered by Exim and still not fulfill all the needs. Ambassador Sobel's suggestion that Petrobras host a set of meetings for a group of 3-4 major US companies, headed on the U.S. side by NSC Deputy Director Michael Froman or other senior USG official, was well received by all in attendance.

Jones with Dilma Rousseff - "Moment of Opportunity" for Energy

14. (C) Presidential Chief of Staff, and President Lula's preferred choice as a successor, Dilma Rousseff, raised what she called her "favorite subject," energy, in a separate meeting with General Jones.

Responding to General Jones' stated desire to ensure the Brazilian energy community has the right U.S. counterparts to move energy cooperation forward, Rousseff concurred these ties are extremely important. She cited specifically the need for goods and services to support the exploitation of pre-salt oil reserves. She pointed out that Brazil is moving closer to operationalizing these reserves and in fact the committee developing the new regulatory framework was set to present its proposal to President Lula the following day, August

16. (Note: The report is due to be made public August 31) (Reftel E). Saying it is "frightening" when Brazil has relatively closer relations with other countries than with the United States, given the historic relationship between our two nations, she called this a moment of opportunity for building close relations. She highlighted biofuels, nuclear, and hydropower as significant areas of opportunity. To build on these areas of opportunity, Ambassador Sobel noted that in a meeting on July 30, the head of Brazil's national development bank, BNDES, and the Head of Exim Bank discussed new ways to work together on projects with input from both sides, including possible joint financing for projects in Sub-Saharan Africa.

Samore at MRE - U/S Amado

15. (C) On August 7, WMD Coordinator and Special Advisor to the President, Dr. Gary Samore, met with the MRE Under Secretary for Energy and High Technology Andre Amado to discuss civilian nuclear energy cooperation. Amado, opining on the Brazilian civilian nuclear energy program, speculated that any significant decisions regarding the contracting of 4 - 8 new nuclear plants would probably be delayed until after the 2010 Presidential election, particularly since site selection for the new plants would be greatly complicated by election year politics. Additionally, financing and the type of technology to

seek are questions to be resolved. "There are a few key people with differing positions. We have to get our act together." He confirmed that he sees the eventual goal as producing reactors domestically (a statement at odds with the view expressed by the President of Brazil's Nuclear regulatory body, para 9). Regarding nuclear waste, he acknowledged "we know we have to deal with it," but "it's not a pressing problem." He offered that technology transfer will be a key issue in contracting.

¶6. (SBU) Dr. Samore explored increasing cooperation through a bilateral commission on energy with a heavy nuclear focus, to be headed on the U.S. side by Deputy Energy Secretary Daniel Poneman. Amado was enthusiastic. DOE's Deputy Assistant Secretary for Global Partnership in Nuclear Energy Ed McGuinness pointed out that DOE is better positioned than ever to cooperate on nuclear issues and to leverage technology expertise in our national labs, including small to medium reactors. The idea of a commission would elevate the concept of a working group that has been previously explored for technical cooperation and help align the policy with the technology. McGuinness also highlighted the role Exim can have in financing, how the USG can help bring in suppliers on the nuclear side, how we can cooperate on R&D, development of human capital, light water reactors, and exchange of experts from Oak Ridge labs. Samore repeated the idea of an exchange with MOD Chief of Staff Murilo Barbosa, who expressed interest and suggested that Samore tour a Brazilian navy nuclear factory on his next visit to Brazil.

¶7. (C) Amado was interested but cautioned wariness of institutional infighting. Amado said that it is not clear who is in charge of specific nuclear issues even within his own Ministry (Note: Amado occupies a newly created position which has very recently added a nuclear section, apparently one factor in said infighting. End Note). To avoid pitfalls, Amado offered to be the conduit to pass along initiatives to very specific working groups in the other ministries. Econoff noted that to take advantage of DAS McGuinness' presence, the Embassy was seeking meetings with MME and the Ministry of Science and Technology to discuss the idea in more detail with the technical agencies. (Note: Time did not permit the scheduling of such meetings but MME in particular was very open to the idea. More important was the signal to MRE that there would be direct communication on this issue between the technical agencies). Dr. Samore committed to send a proposal further outlining the idea. Dr. Samore also raised cooperation between the GOB and the Nuclear Regulatory Commission. Amado noted GOB interest, said it was a workable idea, and Brazil has a clear interest in going ahead.

Samore Visits Nuclear Experts in Rio

¶8. (SBU) In Rio, Dr. Samore met with Brazilian Nuclear Energy Commission (CNEN) President Odair Dias Goncalves. Discussing bilateral cooperation, Goncalves noted that CNEN is reviewing its goals on all bilateral cooperation, to focus on: 1) developing a new research reactor, 2) storage of medium and low level radioactive waste, 3) gaining public acceptance of long-term waste storage, and 4) establishing a new nuclear regulatory agency separate from CNEN, a process which has already begun. In response to Dr. Samore's suggestion that the U.S. and Brazil establish a special energy commission, Goncalves observed that CNEN does not have sufficient independent resources for exchanges that an energy commission would entail. (Note: there are other parts of the GOB that potentially could engage in such exchanges. End Note.)

¶9. (SBU) Regarding Brazil's broad nuclear plans, Goncalves said that in spite of the GOB's strategic plan to increase nuclear power to 5 percent of the Brazilian energy matrix by 2030, CNEN is not striving for excess nuclear capacity; has no plans to export yellow cake; and has very little interest in developing reactor indigenous technology. Of the latter, Goncalves said "It's not the best business in the world."

¶10. (C) Electronuclear President Othon Pinheiro separately told Dr. Samore that in the pending development of the civilian nuclear energy sector, he believed that Electronuclear would be best served by a public-private partnership to sell energy (51 percent government, 49 percent private would be ideal). Pinheiro also praised Westinghouse as the strongest competitor for the 4 - 8 new reactors Brazil plans to contract due to Westinghouse's safety record and the

characteristics of the Brazilian grid.

¶11. (C) COMMENT: This series of meetings builds on several recent high level consultations to explore the most promising areas for U.S.-Brazilian energy cooperation. A next step will be for Post to meet with Brazilian officials further explore the many excellent possibilities and to hear GOB Ministries' wish lists on cooperation now that they are more aware of what we have to offer (this meeting has been postponed until September 9). With that list in hand, policy makers on both sides can begin to refine how exactly we choose to cooperate. It will be important to work with MRE, a central partner in this effort, but we will want to be careful to maintain independent links to the technical agencies involved to allow for ease of coordination and the most effective exchange of information. Post would welcome the chance to comment on the proposal for a bilateral commission. Based on Dr. Samore's meetings, it is clear that cooperation on civilian nuclear energy stands to be a central, and very positive, aspect of any future U.S.-Brazil bilateral energy partnership. END COMMENT

¶12. (U) This cable was cleared with the respective delegations and coordinated with AmConsulate Rio.

KUBISKE